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STATE FOR NEA/MAG
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TAGS: [AG](#) [ECON](#) [EIND](#) [ETRD](#) [MO](#) [PGOV](#) [PREL](#) [RS](#)
SUBJECT: MOROCCO-RUSSIA ECONOMIC RELATIONS: ENERGY,
CLEMENTINES, AND EVERYTHING IN BETWEEN

REF: CASABLANCA 10

Classified By: CG Elisabeth Millard for reasons 1.4 (b), (d).

SUMMARY

11. (SBU) Morocco's economic relationship with Russia, initially concentrated almost exclusively in the energy sector, has widened dramatically in recent years. Bilateral trade is flourishing in the agriculture and phosphate sectors, joining longstanding Moroccan reliance on Russia for petroleum imports. This expanded trade has opened the doors for other areas of collaboration including Russian investment in Morocco's real estate and tourism sector. In fact, recent business surveys show that Moroccan companies increasingly look to Russia as one of their most promising foreign markets. End Summary.

Russia's Interest in Morocco's Energy Sector

12. (C) Energy is an important subtext in Morocco-Russia relations. Russia's ROSATOM is lobbying hard to build Morocco's first nuclear energy plant. Nouredine Sefiani, the former Moroccan Ambassador to Russia, told Econoff that ROSATOM visited the Moroccan Embassy in Moscow over half a dozen times, most recently in November 2008, to make its case to the government of Morocco. He also said that senior representatives from the National Electricity Office (ONE) visited Russia at the request of ROSATOM in late 2008 to discuss further areas of energy cooperation. Nonetheless, Sefiani hinted that France would likely be awarded the tender to build Morocco's nuclear energy plant. (Note: ONE has also approached at least one U.S. Company to ask it to submit a pre-tender submission, and appears committed to a public tender for this still long-range project. End note.)

13. (SBU) In addition, Russian companies have developed three of Morocco's thermal energy facilities. Such cooperation continues: Russia's Integrated Energy Systems (IES) Holding will begin to rebuild Morocco's thermal energy plant in Jerada this year. Industrial cooperation is moving beyond the energy sector, however. Russia's IFC Metropol has a joint venture with the National Phosphate Office (OCP) in the highly coveted Jorf Lasfer phosphate processing facility. OCP recently started to supply Russia with large quantities of mineral phosphates in exchange for ammonium- a byproduct of gas that, when combined with phosphates, makes fertilizer. OCP is increasingly seeking such foreign partnerships to

transform phosphates into finished products and thereby retain more of the value-added from its production than it can do when it simply exports the raw material.

----- Energy creates Synergy -----

¶4. (C) Bilateral energy relations have also opened the door for Russian investment in Morocco's real estate market. Hassan Sentisi, the President of the Morocco-Russia Business Council in Casablanca, suggests that the saturation of the European real estate market has led to a dramatic expansion in Russian investment in the Kingdom. He points to the USD 1.2 billion contract Russian developer INTECO signed in 2007, which will build a number of residential properties and tourist resorts on Morocco's northern coast. (Note: INTECO, owned by the wife of Moscow's mayor, is a real estate subsidiary of Russia's GAZPROM. End Note.) To further solidify its investment in Morocco, INTECO set up a local subsidiary, KUDLA Group, which will oversee the development. Nevertheless, the project may be tainted by rumors that Russian investors have resorted to bribery in order to move the INTECO project forward, says former Moroccan Ambassador to Russia Sefiani.

¶5. (SBU) Morocco hopes to capitalize on such investments to bolster the number of Russian tourists visiting the Kingdom. Morocco's Ministry of Tourism entered into a partnership with ten of Russia's largest travel agencies in an effort to quadruple the number of Russian tourists to 40,000 in the upcoming year. There now is a biweekly chartered flight between Moscow and Agadir.

----- Russia-Morocco Trade -----

¶6. (SBU) Morocco is one of Russia's largest trade partners in Africa and the Arab world. In recent years, Russian exports to Morocco have tripled from USD 500 million in 2001 to USD 1.5 billion in 2007. The growth is largely attributable to increases in commodity prices, which constitute a large percentage of both imports and exports. Russia is one of Morocco's leading sources for petroleum products, providing about 25 percent of its supply. Conversely, Moroccan exports to Russia totaled USD 200 million in 2007, representing an estimated four percent of its exports. According to Sentisi, a major export item is Morocco's citrus products, particularly clementines and oranges, which are in high demand in Russia. (Note: Morocco is the second largest citrus exporter in the world and Russia is its largest consumer. End Note.)

¶7. (SBU) This bilateral trade relationship was further strengthened in 2007 with the signature of a trade partnership agreement between PATRONAT, Russia's business council, and its Moroccan counterpart, the Moroccan Confederation of Business (CGEM). As a result of this collaboration, a Moroccan delegation of over 100 businesses participated in a trade fair in Moscow in November 2008 in order to bolster trade between the two countries. The participants included OCP, Maghreb Steel, the real estate conglomerate Group Addoha, and the Casablanca Regional Investment Center. In return, Morocco received a Russian delegation representing 120 Russian businesses in February 2009. During the latter visit, Morocco's Minister of Commerce, Industry, and New Technologies encouraged Russian investment in Morocco's social housing projects and in its hydrocarbon energy sector.

¶8. (SBU) If the overall trend is positive, new challenges have emerged in recent months as a result of the slide in the value of the Russian ruble. Moroccan exporters have historically done little to hedge their foreign exchange exposure, and a number have complained of hardship as the dirham value of existing contracts has eroded, says Sentisi.

¶9. (SBU) Nonetheless, recent surveys of Morocco's business community show that they are increasingly focused on the Russian market. In a 2009 survey conducted by Morocco's Center for Export (Maroc Export), Russia was identified as the most promising export market by 100 local companies. This confidence does not appear misplaced. Russia's demand for agricultural produce is growing 20 percent per year at the same time that Morocco's agriculture growth is expected to more than double to 22 percent this year. According to former Ambassador Sefiani, the confluence of these two trends will result in a lucrative 2009 for Morocco given that Russia will likely double its Moroccan agricultural imports in the upcoming year. For his part, Sentisi shares the survey's conclusion and agrees that "Russia is indeed Morocco's most promising export market."

Comment

¶10. (SBU) Russia's emergence as a leading trade and investment partner reflects the increased importance such "emerging" markets play in its integration into the global economy (reftel). Morocco is increasingly focused on the BRIC (Brazil, India, China, and Russia), all four of which now rank among its top trading partners.
MILLARD